

WHOLESALE AND LIMITED-PURPOSE INSTITUTIONS

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EXAMINATION SCOPE

Institutions with More than One Assessment Area
<p>1. For institutions with more than one assessment area, select assessment areas for examination on-site. To select one or more assessment areas for an on-site examination, review prior performance evaluations, available community contact materials, reported lending data and demographic data on each assessment area and consider factors such as:</p> <ul style="list-style-type: none"> • Lending, investment, and service activity in the different assessment areas, particularly community development activities • Lending, investment, and service opportunities available in the different assessment areas, particularly community development opportunities • Length of time since the assessment area(s) was most recently reviewed on-site • Institution's prior CRA performance in different assessment areas • Number of other institutions in the assessment area(s) and the importance of the institution under examination in addressing community development needs in the different assessment areas, particularly in areas with a limited number of financial service providers • Existence of apparent anomalies in the reported HMDA data for any particular assessment area • Experience of examiners in the same or similar assessment areas • Comments from the public regarding the institution's CRA performance

**EXAMINATION
SCOPE (cont'd)****Interstate Institutions**

2. For interstate institutions, a rating must be assigned for each state where the institution has a branch and for each multi-state MSA where the institution has branches in two or more of the states that comprise the multi-state MSA. Select one or more assessment areas in each state for examination using these procedures.

**PERFORMANCE
CONTEXT****Gather Performance Context Information**

1. Review standardized worksheets and other agency information sources to obtain relevant demographic, economic, and loan data, to the extent available, on each assessment area under review. Consider, among other things, whether housing costs are particularly high in relation to area median income.
2. Consider any information the institution may provide on its local community and economy and its community development lending, investment, and service capacity or that otherwise assists in the evaluation of the institution's community development activities.
3. Review community contact forms prepared by the regulatory agencies to obtain information that assists in the evaluation of the institution's community development activities. Contact local community, government, or economic development representatives to update or supplement information about community development activities in the assessment area(s) or the broader statewide or regional areas of which the assessment area(s) is a part.
4. Identify barriers, if any, to participation by the institution in local community development activities. For example, evaluate the institution's ability and capacity to help meet the community development needs of its assessment area(s) through a review of the uniform bank/thrift performance report ("UBPR/UTPR"), the consolidated report of condition/Thrift Financial Report ("Call Report/TFR"), annual reports, supervisory reports, prior CRA performance evaluations, and financial information for other wholesale/limited-purpose institutions serving approximately the same assessment area(s).
5. Review the institution's public file and any comments received by the institution or the agency since the last CRA performance evaluation for information that assists in the evaluation of the institution.

**PERFORMANCE
CONTEXT
(con't)**

6. Document the performance context information gathered for use in evaluating the institution's CRA record.

**ASSESSMENT
AREA**
Evaluate Assessment Area(s)

1. Review the institution's stated assessment area(s) to ensure that it:
 - Consists of one or more MSAs or contiguous political subdivisions (i.e., counties, cities, or towns) where the institution has its main office, branches, and deposit-taking ATMs
 - Consists only of whole census tracts and block numbering areas
 - Consists of separate delineations for areas that extend substantially across CMSA or state boundaries unless the assessment area(s) is/are located in a multistate MSA
 - Does not reflect illegal discrimination
 - Does not arbitrarily exclude any low- or moderate-income area(s) taking into account the institution's size and financial condition
2. If the assessment area(s) does not coincide with the boundaries of an MSA or political subdivision(s), assess whether the adjustments to the boundaries were made because the assessment area(s) would otherwise be too large for the institution to reasonably serve, have an unusual configuration, or include significant geographic barriers.
3. If the assessment area(s) fails to comply with the applicable criteria described above, develop, based on discussions with management, a revised assessment area(s) that complies with the criteria. Use this assessment area(s) to evaluate the institution's performance, but do not otherwise consider the revision in determining the institution's rating.

COMMUNITY DEVELOPMENT TEST

Community Development Test
<p>1. Identify the number and amount of the institution's community development loans (originations and purchases of loans and any other data the institution chooses to provide), qualified investments, and community development services. Obtain this information through discussions with management, a review of the CRA Disclosure Statements and the HMDA-LAR, as applicable; any interim CRA disclosure data or HMDA data, collected by the institution, as applicable; investment portfolios; any other relevant financial records; and materials available to the public. Include, at the institution's option:</p> <ul style="list-style-type: none"> • Qualified investments, community development loans and community development services provided by affiliates, if they are not claimed by any other institution • Community development lending by consortia or third parties
<p>2. Test a sample of community development loan files to verify that they qualify as community development loans.</p>
<p>3. If the institution participates in community development lending by consortia or third parties, or claims activities provided by affiliates, review records provided to the institution by the consortia or third parties or affiliates to ensure that the community development loans claimed by the institution do not account for more than the institution's share (based on the level of its participation or investment) of the total loans originated by the consortium or third party.</p>
<p>4. Considering the institution's capacity and constraints and other information obtained through the performance context review, form conclusions about:</p> <ul style="list-style-type: none"> • Extent, by number and volume, of community development loans, services, and qualified investments • Degree of innovation in community development activities (for example, serving low- or moderate-income borrowers in new ways or serving groups of creditworthy borrowers not previously served by the institution) • Complexity of those community development activities, such as the use of enhancements or other features specifically designed to expand community development lending • Responsiveness to the opportunities for community development lending, qualified investments, and community development services • Degree to which the institution's qualified investments serve needs not routinely provided by other private investors

**COMMUNITY
DEVELOPMENT
TEST
(cont'd)**

5. Summarize conclusions regarding the institution's community development performance and retain in the work papers.

RATINGS

Determine Ratings

1. Review the analyses of the institution's performance in each assessment area examined, considering only those community development activities that benefit the assessment area(s) and the broader statewide or regional area(s) that include the assessment area(s).
2. Group the analyses of the assessment areas examined by MSA and non-MSA areas within each state where the institution has branches. If an institution has branches in two or more states of a multi-state MSA, group the assessment areas in that MSA.
3. Summarize conclusions about the institution's performance in each MSA and the non-MSA portion of each state in which an assessment area was examined using these procedures. If two or more assessment areas in an MSA or in the non-MSA portion of a state were examined using these procedures, determine the relative significance of the institution's performance in each assessment area by considering:
 - Significance of the institution's activities in each compared to the institution's overall activities
 - Community development opportunities in each
 - Significance of the institution's activities for each, particularly in light of the number of other institutions and the extent of their activities in each
 - Demographic and economic conditions in each
4. For assessment areas in MSAs and non-MSA areas that were not examined, consider facts and data related to the institution's community development lending, investment, and service activities to ensure that performance in those areas is not inconsistent with the conclusions based on the assessment areas examined.

RATINGS (cont'd)

5. Assign a preliminary rating for an institution with operations in one state only using the Community Development Ratings Matrix. For an institution with operations in more than one state or multi-state MSA, assign a preliminary rating for each state using the Community Development Ratings Matrix. To determine the relative significance of each MSA and non-MSA area to the institution's overall rating (institutions operating in only one state) or state-wide or multi-state MSA rating (institutions operating in more than one state), consider:

- Significance of the institution's activities in each compared to the institution's overall activities
- Community development opportunities in each
- Significance of the institution's activities for each, particularly in light of the number of other institutions and the extent of their activities in each
- Demographic and economic conditions in each

6. For institutions with operations in more than one state or multi-state MSA, assign a preliminary rating for the institutions as a whole. To determine the relative significance of each state or multi-state MSA consider:

- Significance of the institution's activities in each compared to the institution's overall activities
- Community development opportunities in each
- Significance of the institution's activities for each, particularly in light of the number of other institutions and the extent of their activities in each
- Demographic and economic conditions in each

7. If the institution is adequately meeting the community development needs of each of its assessment area(s), consider those community development activities, if any, that benefit areas outside of the assessment area(s) or a broader statewide or regional area that includes the assessment area(s). Determine whether those activities enhance the preliminary rating. If so, adjust the rating(s) accordingly.

8. Consider an institution's past performance if the prior rating was "Needs to Improve." If the poor performance has continued, an institution could be considered for a "Substantial Noncompliance" rating.

**RATINGS
(cont'd)**

9. Review the results of the fair lending component of the compliance examination and determine whether the findings should lower, in the case of an institution with operations in just one state, the institution's preliminary composite rating. In the case of an institution with operations in more than one state or in multistate MSAs, determine whether the findings should lower any of the preliminary state ratings or the preliminary composite rating. In considering the impact of evidence of discrimination on a state or composite rating, consider the following:

- Nature and extent of the evidence
- Policies and procedures that the institution has in place to prevent discriminatory or other illegal credit practices
- Any corrective action the institution took or committed to take, particularly voluntary corrective action resulting from a self-assessment conducted prior to the examination
- Other relevant information, such as the institution's past fair lending performance

NOTE: Refer to the "Guidelines for Referring Violations of the Anti-Discrimination Provisions of the Equal Credit Opportunity and Fair Housing Acts to the Department of Justice or Notifying the Department of Housing and Urban Development of Violations of the Fair Housing Act," Transmittal #DCA-003, dated 1/23/97, for additional procedures to follow during a CRA examination in the event substantive violations of the anti-discrimination provisions of the Equal Credit Opportunity or Fair Housing Acts are found.

10. Assign a final composite rating to the institution and discuss conclusions with management.

11. Write comments for the public evaluation and examination report.

12. Prepare recommendations for supervisory strategy and matters that require attention for follow-up activities.

**PUBLIC FILE
CHECKLIST****Review Public File**

1. There is no need to review each branch or each complete public file in every examination. In determining the extent to which the public files should be reviewed, consider the institution's record of compliance with the public file requirements in previous examinations, its branching structure and changes to it since its last examination, complaints about the institution's compliance with the public file requirements, and any other relevant information.

**PUBLIC FILE
CHECKLIST
(cont'd)**

2. In any review of the public file undertaken, determine, as needed, whether branches display an accurate public notice in their lobbies, a complete public file is available in the institution's main office and at least one branch in each state, and the public file(s) in the main office and in each state contain:

- All written comments from the public relating to the institution's CRA performance and any responses to them for the current and preceding two calendar years (except those that reflect adversely on the good name or reputation of any persons other than the institution)
- The institution's most recent CRA Performance Evaluation
- A map of each assessment area showing its boundaries and, on the map or in a separate list, the geographies contained within the assessment area(s)
- A list of the institution's branches, branches opened and closed during the current and each of the prior two calendar years, their street addresses and geographies
- A list of services (loan and deposit products and transaction fees) generally offered, and hours of operation at the institution's branches, including a description of any material differences in the availability or cost of services between those locations
- The institution's CRA Disclosure Statement(s) for the prior two calendar years
- A quarterly updated progress report describing the institution's efforts to improve its performance if it received a less than satisfactory rating during its most recent CRA examination
- HMDA Disclosure Statements for the prior two calendar years and those of each non-depository affiliate the institution has elected to include in assessment of its CRA record, if applicable
- If applicable, the number and amount of consumer loans made to the four income categories of borrowers and geographies (low, moderate, middle, and upper), located inside and outside of the assessment area(s)

3. In any branch review undertaken, determine whether the branch provides the most recent public evaluation and a list of services generally available at its branches and a description of any material differences in the availability or cost of services at the branch (or a list of services available at the branch).

COMMUNITY DEVELOPMENT TEST

CHARACTERISTIC	OUTSTANDING	SATISFACTORY	NEEDS TO IMPROVE	SUBSTANTIAL NON-COMPLIANCE
Investment, Loan, and Service Activity	The institution has a high level of community development loans, community development services, or qualified investments, particularly investments that are not routinely provided by private investors.	The institution has an adequate level of community development loans, community development services, or qualified investments, particularly investments that are not routinely provided by private investors.	The institution has a poor level of community development loans, community development services, or qualified investments, particularly investments that are not routinely provided by private investors.	The institution has few, if any, community development loans, community development services, or qualified investments, particularly investments that are not routinely provided by private investors.
Investment, Loan, and Service Initiatives	The institution extensively uses innovative or complex qualified investments, community development loans, or community development services.	The institution occasionally uses innovative or complex qualified investments, community development loans, or community development services.	The institution rarely uses innovative or complex qualified investments, community development loans, or community development services.	The institution does not use innovative or complex qualified investments, community development loans, or community development services.
Responsiveness to community development needs	The institution exhibits excellent responsiveness to credit and community economic development needs in its assessment area(s).	The institution exhibits adequate responsiveness to credit and community economic development needs in its assessment area(s).	The institution exhibits poor responsiveness to credit and community economic needs in its assessment area(s).	The institution exhibits very poor responsiveness to credit and community economic development needs in its assessment area(s).



**FDIC LAW,
REGULATIONS,
& RELATED
ACTS**

Applicable Rules

See the Reference area for the Introduction section, Community Reinvestment, at the beginning of Part IV of this manual.

**Advisory
Opinions**

See the Reference area for the Introduction section, Community Reinvestment, at the beginning of Part IV of this manual.

**Statements of
Policy**

See the Reference area for the Introduction section, Community Reinvestment, at the beginning of Part IV of this manual.

**DCA
MEMORANDA**

See the Reference area for the Introduction section, Community Reinvestment, at the beginning of Part IV of this manual.

**FINANCIAL
INSTITUTION
LETTERS (FIL)**

See the Reference area for the Introduction section, Community Reinvestment, at the beginning of Part IV of this manual.
